WEEKLY ECONOMIC REVIEW

August 1, 2008

Canada's real gross domestic product (GDP) contracted by 0.1% in May, as the mining, oil and gas industry slowed (-1.2%) and automobile production dropped (-3.6%). This was the fourth decline in Canadian real GDP in the past six months.

Soaring petroleum prices pushed the cost of both manufactured products and raw materials to new record highs in June. The industrial product price index increased 5.4% from a year ago, while the raw materials price index jumped 31.9%. Agricultural materials have also experienced significant price increases over the past 12 months, led by soybeans (77.3%), oilseeds (73.3%), wheat (69.6%) and grains (55.2%).

Boosted by a large increase in net exports (exports minus imports) and government stimulus checks, the U.S. economy expanded at an annual rate of 1.9% in the second quarter, but still missed analysts' expectations of 2.3% growth. Private domestic investment (-14.8%) continued to be a significant drag on the economy. The revised data also indicated that the U.S. economy contracted for the first time since 2001 in the fourth quarter of 2007 (-0.2%).

In July, the U.S. economy shed 51,000 jobs, marking the seventh consecutive month of declining employment. The U.S. unemployment rate rose from 5.5% in June to 5.7% last month, reaching its highest level since March of 2004.

Cdn Dollar (US¢/CS)	
August 1, 2008	97.5
July 25, 2008	98.4
2008-09 YTD	98.9
WTI Oil US$/bbl	
July 31, 2008	$ 124.08
July 24, 2008	$ 125.49
2008-09 YTD	$ 126.28
Nymex Natural Gas CS/MMBtu *	
August Contract	
August 1, 2008	$ 9.61
July 25, 2008	$ 9.37

*Estimate based on Nymex Futures Market Price

There were indications this week that the U.S. housing slump continues to deepen. The S&P/Case Shiller 20-city Home Price Index declined by a record pace of 15.8% in May, compared to a year earlier.

Despite a 0.7% monthly drop in May, average weekly earnings in Alberta were up 5.4% from a year earlier – the highest annual rate of growth among provinces. Nationally, earnings were up 3.1% on an annual basis. Alberta's average weekly earnings of $864.28 were the highest of any province, and 9.2% above the Canadian average of $791.48.

Oil prices continued to drop this week over concerns that a weak U.S. economy will dampen the demand for oil. Oil prices fell $15.92, or 11%, in July. In dollar terms, this was the largest monthly price drop on record.

Economic Indicators Released this Week	Reference Period	Month/Previous Month (M/M)	Month/Previous Year's Month(Y/Y)	Year-to-date[1]
Average Weekly Earnings ($) [2]	**May**			
Alberta	864.28	-0.7%	5.4%	5.2%
Canada	791.48	0.3%	3.1%	3.0%
Industrial Product Price Index (1997=100)	**June**			
Canada	122.7	1.3%	5.4%	1.5%
Raw Materials Price Index (1997=100)	**June**			
Canada	230.2	4.4%	31.9%	22.9%

Source: Statistics Canada. [1]Year-to-date compared to the same period in the previous year. [2] Seasonally adjusted.